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Message Text

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60
ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SS-20 SSO-00 L-03 NSC-10 NSCE-00

INRE-00 CIAE-00 INR-10 NSAE-00 RSC-01 PRS-01 SPC-03

TRSE-00 COME-00 CIEP-02 OMB-01 STR-08 CEA-02 DRC-01

/099 W
---------- 040293
O 212231Z JAN 74
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC IMMEDIATE 2536

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E.O. 11652: N/A
TAGS: EFIN
SUBJECT: FOREIGN DIRECT INVESTMENT IN USA

REF: STATE 011634

EMBASSY BELIEVES IT WOULD BE UNWISE FOR USG SPOKESMEN
TO SPECULATE PUBLICLY ABOUT POSSIBILITY THAT CANADA
MIGHT RETALIATE FOR RESTRICTIVE USG ACTIONS WITH
RESPECT TO FOREIGN INVESTMENT IN U.S. CANADA HAS BEEN
BASICALLY OPEN MARKET FOR FOREIGN DIRECT INVESTMENT;
MORE THAN HALF OF CANADIAN MANUFACTURING INDUSTRY IS
FOREIGN CONTROLLED, FOR EXAMPLE. ALTHOUGH GOC HAS
VARIOUS MEANS, FORMAL AND INFORMAL, TO INFLUENCE
EXTENT AND DIRECTION OF THIS INVESTMENT, POLICY HAS
NOT BEEN SIGNIFICANTLY RESTRICTIVE (EXCEPT IN FEW
SECTORS SUCH AS BANKING AND COMMUNICATIONS) AND
BUSINESS COMMUNITY SEEMS GENERALLY RELAXED EVEN ABOUT
RECENTLY PASSED FOREIGN INVESTMENT REVIEW LEGISLATION
WHICH ESTABLISHES OFFICIAL SCREENING AGENCY TO PASS ON LARGE-
SCALE FOREIGN TAKEOVERS OF EXISTING CANADIAN COMPANIES
AND EVENTUALLY ALL SIGNIFICANT NEW FOREIGN INVESTMENTS.
BASIC THRUST OF GOC APPROACH HAS BEEN TO OBTAIN GREATER
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CANADIAN VOICE IN BUSINESS DECISIONS AFFECTING CANADIAN

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ECONOMY AND WELFARE (E.G. MORE CANADIANS ON THE POLICY AND EXECUTIVE BOARDS OF COMPANIES DOING BUSINESS IN CANADA) AND TO ENSURE THAT FOREIGN INVESTMENT BRINGS BENEFITS TO CANADA. ANY SUGGESTION THAT GOC COULD ALSO USE INVESTMENT POLICY AS MEANS TO RESPOND TO OR INFLUENCE USG POLICY WOULD BE SURE TO BE PUBLICIZED IN CANADA AND REINFORCE POSITION OF CANADIAN ELEMENTS THAT FAVOR MORE INTERVENTIONIST ROLE FOR GOC. FROM STANDPOINT CANADIAN AUDIENCE, IT WOULD BE BEST FOR UNDER SECRETARY CASEY'S CONGRESSIONAL TESTIMONY TO FOCUS ON GENERAL PRINCIPLES, EMPHASIZING MUTUAL ADVANTAGES OF FREE FLOW OF INVESTMENT CAPITALS, CONSEQUENT DESIRABILITY OF MAINTAINING FAVORABLE INVESTMENT CLIMATE, AND IMPORTANCE OF U.S. LEADING IN THIS RESPECT BY EXAMPLE.
SCHMIDT

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